# GOVERNMENT OF INDIA
# COMMERCE AND INDUSTRY
# LOK SABHA

UNSTARRED QUESTION NO:2876
ANSWERED ON:07.12.2001
EXPENDITURE REFORMS COMMISSION
AMAR ROY PRADHAN

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

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(a) whether any Expenditure Reforms Commission has been set up in his Ministry to give his recommendations for reducing the existing wasteful expenditure of his Ministry and Departments under his Ministry; (

(b) if so, the date on which Commission has been set up alongwith its composition; (

(c) the details of recommendations made by this commission so far; (

(d) the details of those recommendations which are yet to be implemented by his Ministry or Departments under his Ministry alongwith reasons for not implementing them till date; and (

(e) the time by which these are likely to be implemented in true spirit?

## Answer

MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY ( SHRI RAJIV PRATAP RUDY )

(a ) & ( b) : The Expenditure Reform Commission was set up by the Ministry of Finance ( Department of Expenditure) on 28th February, 2000. The composition of the Commission are as follows :-

(i) Shri K.P.Geethakrishnan - Chairman
Former Finance Secretary

(ii) Shri V.S.Jafa - Member
Former Financial Adviser
Ministry of Defence

(iii) Shri Kirit Parekh - Member
Economist

(iv) Shri C.M.Vasudev - Ex-Officio Member
Secretary ( Finance)
Ministry of Finance

(v ) Shri J.S.Mathur - Member - Secretary
Additional Secretary ( Budget)
Ministry of Finance

( c ) : The details of recommendations made by the Commission in respect of Department of Commerce are given in its Ninth Report. The Report was submitted to Finance Minister on 19.9.2001. The details of recommendations are annexed.

( d ) & ( e ) : The Report is under examination and is likely to be implemented before 31st March, 2002.

4. Analysis & recommendations

A Directorate General of Foreign Trade

4.1 With the onset of reforms and the shift away from intensive control of imports and exports, the workload of the DGFT has come down drastically. In the normal course this vast organization with over 2500 staff strength should have been either drastically pruned or in the alternative wound up altogether and a new small organization set up to take up the more supportive role now envisaged for it by the Department of Commerce. However, except for some reduction in staff strength nothing much has changed. The DGFT is a good example of the popular perception that in government while controls may wither away, the controllers would continue, though under a different garb.

4.2 Of the supportive functions now entrusted to the DGFT, the single largest item is the advance-licensing scheme. While the task of determining the input and output norm is handled by the head offices, the issue of advance licenses is the main item of work in the 31 field offices. With computerization, the workload in the processing of these applications has come down drastically. It is therefore necessary to refix the staff strength of each of these offices taking into account, on the one hand, the drastic reduction in the control functions and the computerized work procedures now in force for the advance licensing scheme on the other. The Administrative Staff College of India, Hyderabad has been entrusted with the task of reassessing the staff strength of these offices. Such studies may however usually take a long time to complete. Considering that possibly no more than one fourth or one third of the staff strength may actually be required, given the aspects mentioned earlier, it is recommended that even as the Administrative Staff College of India is requested to expedite the completion of the task assigned to it, the SIU should be concurrently required to reassess the staff strength within the next two months based on a sample study of the functioning of two or three of the field offices.

4.3 With the phasing out of quantitative restrictions, the scheme is now no different from duty draw back schemes, with the duty on export related imports being altogether exempted even at the first instance. Thus, while the office of the DGFT provides the first interface to the exporters in their quest for getting advance licenses, after they get the advance licenses and the import-export pass books, they are required to register with the concerned Custom offices along with bonds and bank guarantees where necessary. Thereafter, at every stage of the import stream as well as the export stream, they deal only with the Customs Department. Once the export obligations are fulfilled by the exporters they go back to the DGTD for obtaining the export obligation discharge certificate. Later with this certificate they approach the customs authorities for the redemption of bonds/bank guarantees. Such follow up action as may become necessary in the event of any malpractices or shortcomings is taken only by the Customs Department. Thus in Advance Licensing cases, the exporter has to deal more with the Customs Department than with the DGTD. Vesting of the entire operational work, including the initial issue of licence with the Customs Department would thus lead to reduced transation time and cost for the exporters. In particular when the process of introducing Electronic Data Interchange System and Electronic Declaration of Imports and Exports at all the `ports` is completed by the Customs Department, the saving in transaction time for the exporter will be considerable. It will therefore be necessary for the government to examine, say two years down the line, whether the task of grant of advance licenses should not be vested in the Customs Department. The responsibility for fixing the input-output norms in consultation with the other Ministries as also the policy issues could however continue to remain with the Department of Commerce.

B. Directorate General of Commercial Intelligence

4.4 At present the Centre for Monitoring Indian Economy (CMIE) headquartered at Mumbai and with an office at New Delhi, is also bringing out comprehensive data on the trade statistics with a much shorter time lag than the DGCIS. More importantly the CMIE data also captures items like income earned in foreign exchange by way of dividend, royalty, consultancy fees etc and thus project a more complete picture of the export statistics than the DGCIS reviews.

4.5 But then the CMIE analysis is based essentially on DGCIS data. Thus the DGCIS data would continue to be the basis on which the trade statistics will have to be compiled. The major problem however has been the inordinate time lag in DGCIS bringing out the 8 digit level results. With the efforts already taken to streamline the procedures it is expected that before the end of this year the time lag would be brought down to about 8 weeks only. This should remove a major drawback in the DGCIS data.

4.6 The DGCIS staff strength had earlier been determined with reference to the manner inwhich the data was received from Custom Houses and the work involved is `cleaning`, compilation and analysis of the data adopting the procedures in vogue and facilities available then in DGCIS. As indicated earlier already 85% of the data now received from the Custom Houses is on magnetic media thus reducing considerably the workload in cleaning up as well as compilation of these data. This itself would call for a considerable reduction in the support staff levels (423 at group B,C &D) in DGCIS. Further the Customs Department has launched a massive computerization drive and it is expected that the present practice of export-import data being entered into tapes would undergo a major change when the export shipping bills are being generated electronically. This process when completed would virtually eliminate the need for verification and also reduce the compilation workload in DGCIS. The small Custom Houses, which now send the data on manual DTRs, would also be shifting to the magnetic media in the coming years. When These changes are put through by the Customs Department, the staff strength requirement of DGCIs would come down further. It is ascertained that IIM, Kolkata has been entrusted with the task of reassessing the staff strength requirement of the DGCIS. They should be specifically required to take into account the improvements in the quality and type of data availability that has already taken place as also the further improvements expected in the coming years and give the report expeditiously so that it can be put into effect from 1.4.2002. In case the IIM study is expected to take an year or more to be completed, the SIU could be requested to take up this assessment on a priority basis.

C. Custodian of Enemy Property, Mumbai and branch office at Kolkata

4.7 It would be necessary to determine as to which of the assets are still required to be maintained in their present form and identify those, which could be disposed off, and the proceeds kept in a special account. There is not much merit in continuing to `preserve and manage` all these properties indefinitely. Likewise it would also be necessary to examine the claims for ex-gratia payments by Indian nationals/companies whose properties were seized by Pakistan in the 1965 conflict and settle these one way or other quickly. All these aspects of work should be completed in a time bound manner - say within two year - so that the organization can be wound up and such items of work that remain entrusted to the Ministry of Home Affairs.

D. Export Processing/Special Economic Zones

4.8 As pointed out earlier, the support staff strength has been kept low in FEPZ, Kolkata through outsourcing of some services. The feasibility of introducing similar arrangements should be explored in the other EP/SE Zones so that the staff strength is kept down to be minimum. This will facilitate greater attention to the problems and issues relating to the zones limiting the time and effort to be allocated for staff managing issues to the minimum.

4.9 The Special Exonomic Zones, though approved, are yet to take off. As these will be set up and maintained in the private sector, only monitoring will be the responsibility of the government. Hence there may not be any need for additional staff.

E. Commodity Boards

4.10 The functioning of the Commodity Boards has been examined recently by Shri P.P.Prabhu, former secretary (Commerce) at the instance of the Department of Commerce. The report presented to the Department in may 2001 covers and extensive ground - the organization structure and functions and activities of these boards and contains a large number of specific recommendations. These recommendations inter-alia stress the need for broad basing of these Boards, while at the same time reducing government representation, giving these Boards greater financial, administrative and management responsibility, making export promotion and research the main focus of activities etc.

4.11 Shri Prabhu has suggested closure of the five foreign offices of the Tea Board leading to an annual saving of about Rs. 5 crore and also a drastic downsizing of the staff strength in the Tea Board, Coffee Board and Rubber Board. In the case of the Tea Board a 25% reduction of the staff strength is visualized. Closure of the offices and Chennai, and Cochin, withdrawal of all compulsory registration and licensing, and privatisation of the tea houses, except in the head office and Parliament House have been recommended. In the case of the Coffee Board, the proposals envisage inter-alia, privations of the Coffee houses and downsizing in non-technical cadres and in extension work and administration. The measures are expected to lead to a reduction of nearly 330 out of the present staff strength of over 1100. In the case of the Rubber Board, the report places the surplus in the production department at over one third (about 450), while abolition of licensing work and phasing out of subsidies is expected to lead to a reduction of over 230. Reduction in administrative, finance and support staff on the research side has also been recommended. Possibly in the final analysis no more the 60% of the present strength of 2274 would be required. The report has pointed out that in spite of this surplus position, the Board has been recruiting staff every year, with the result in the last 10 years the staff strength has gone up by 60% in Group A, 35% in Group B and 50% in Group D! Clearly there is a case for issuing directions to all the Boards to stop recruitment at all levels forthwith, pending refixation of the staff strength based on the recommendations given by Shri P.P. Prabhu. For facility of easy reference the summary of recommendations contained in that report is given at Annex-IV.

4.12 The expenditure Reforms Commission recommends that the suggestions for restructuring of the Boards, with reduced government representation, making export promotion and research the main focus of activities, closure of Tea Board`s foreign offices, privatization of the coffee houses, and downsizing of the staff strength in the Tea Board, Coffee Board and Rubber Board should be implemented straightaway. Having said this, the Expenditure Reforms Commission would also underline the need for carrying the thrust of these recommendations forward. To be specific, these boards should be enabled to become independent of government control and government procedures and function more on the lines of the export promotion councils, except for the addition of developmental role, which will be focused on research rather than field level support activities. Action should be initiated straightaway in the Department of Commerce for reducing the financial, administrative and management control over these Boards. This process may also require either repeal of or effecting major amendments in the Acts under which these Boards have been set up. This aspect would therefore need to be taken up on an urgent basis. All this should be put through expeditiously, and the practice of an officer of the department functioning as the Chairman of the Board should be dispensed with. Once foreign offices are closed and the organizations downsized on the lines suggested by Shri P.P.:Prabhu these should be a fresh evaluation of the funds required for meeting the annual recurring expenditure of each of these Boards. These Boards should be required within a specific time frame - 2 years and no more - to meet all their recurring and non-recurring expenditure form the funds released out of the cess amounts collected by government and through internal cash generation and these should be no further demand on government budgetary support. The Boards should be given full functional autonomy, subject only to broad guidelines on the range of functions to be undertaken and restrictions on the disposal of assets and creation of new posts and making any commitments of a medium or long term nature.

F. Autonomous Organisations

i. Indian Institute of Foreign Trade

4.13 IIFT should be encouraged to become a premier institute in traning as well as the research in trade and related matters. It has a potential for increasing its internal cash generation to a point where it should not be dependent upon Government for its day-to-day expenditure requirements. A time bound programme should be drawn up for achieving this objective, say in 2 to 3 years. When this is achieved, the institution could be freed from Government controls altogether. It can then become a governing body managed organization. The practice of a government official functioning as the Chief Executive could be dispensed with.

ii. Export Inspection Council, New Delhi.

4.14 While in some cases export of substandard goods by some unscrupulous exporters has adversely affected the entire exports in these sectors, the fact remains that the export certification should be largely demand driven. It will therefore be necessary for the Ministry to review the list of items for which the export certification is prescribed mandatory and restrict it to only those areas, when non-insistence of certification could jeopardize the entire export efforts in that area. In all other cases export certification should be demand driven. Apart from the Export Inspection Council, other organization, including agencies like MPEDA etc. could also be

authorized to provide such certification if they have the necessary facilities. Such competition could lead to improvement in quality of, and reduction of charges for, the certification work. The workload of the Export Inspection Council will then be largely demand driven and in a competitive environment and this could well call for a redetermination of the staff strength in its various offices, in line with the actual work load. Pending such a review in all field offices of EIC, action should be taken straightaway to implement the IWSU report which had, after examining the staff strength of the Kolkata office, recommended that 183 of the employees deployed on the jute scheme out of the total strength of 277 be declared surplus.

iii. Indian Institute of Packaging, Mumbai and Indian Council of Arbitration, New Delhi.

4.15 The nature and range of activities of both organizations are such that it is not essential for government to participate in, or control these organizations. The governing body of both organizations could be suitably recast to provide for management responsibility to vest totally in the various concerned interests and government could withdraw from both organizations. Government`s budgetary support for the India Council of Arbitration should be phased out over the next two years. For both these organizations, government could extend assistance, on a case-by-case basis, for specific projects, as is now being done for the Indian Institute of Packaging.

iv. Marine Products and Agricultural and Processed Food Products Export Development Authorities.

4.16 The recommendations earlier made in respect of the Commodity Boards would apply equally to these two organizations also.

v. Federation of Indian Export Organisation.

4.17 Though visualized as an apex body for various export promotion organizations, FIEO today functions primarily as a servicing agency and some of the funds of the Government meant for rendering assistance to exporters are routed though FIEO. As in the case of export promotion councils, there is no need for government to participate in or control this organization. Government Budget support should be limited to providing market development assistance for specific projects.

vi. Indian Diamond Institute

4.18 This Institute has the potential for being developed, as a premier Institute for meeting the training and research needs of the gem and jewellery industry. Towards this end government`s role in, and control over this institute should be phased out in the coming two years. The Institute should be allowed to adopt such procedures -financial administration and management - as are best suited to its requirements and the gem and jewellery industry should have a greater role in the Institute`s management.

vii. Export Promotion Councils

4.19 The present arrangement whereby export promotion councils are run by the industries in the respective group and government giving market development assistance for specific activities as and when they consider it necessary can be continued. The government does not exercise any control over these organizations and this arrangement should continue.

G. Department of Commerce

4.20 Department of Commerce is manned at the top by a Secretary and a Special Secretary. Special Secretary deals with WTO matters, trade policy issues and also foreign trade matters relating to Europe. While it can be argued that WTO matters could be considered on a stand-alone footing, in the genral scheme of things, for several years to come, WTI and trade policy issues and trade promotion and bilateral trade matters would have to be looked at in an integrated manner. For this, the Secretary of this Department should be directly responsible for the efficient functioning of both areas of work. The present arrangement whereby an equivalent level officer, though designated as special Secretary, looks after WTO and Trade Policy divisions undermines this unified approach. The post of Special Secretary should therefore be downgraded to that of an Additional Secretary so that the Secretary is fully accountable for all functions of this Department. 4.21 As pointed out at the end of Section I, WTO and multilateral issues, and integrated trade policy that seeks to optimize the export efforts, and protection of domestic industry from `dumping` have now emerged as the more important functions of the department. The department would need to be strengthened at the senior levels to handle these tasks efficiently. As far as WTO and multilateral issues and concerned, the Department of Commerce should also have the capability to give sound and timely advice to other departments like Agriculture, Industrial Policy & Promotion etc. Given the procedural bottlenecks in quickly assembling a highly qualified professional team of `in house` experts for this purpose, one option would be to explore the feasibility of having a think tank of eminent experts. This think tank need have just one full time senior level professional, appointed on a contract basis, to function as the coordinator, There could be a large panel of experts, who could take part in the deliberations and consultations of the think tank, for short periods, depending upon their convenience. This think tank could be located in the IIFT campus so that it has access to the facilities there, including the library. At the same time it has to be a separate entity with a management council on which could be represented the Departments of Commerce, Industrial Policy and Promotion and Agriculture etc. The expenditure on the think tank could be shared by the different user departments.

4.22 The functioning of the Economic Division would need to be fully integrated with the Trade Policy Division so as to give the Trade Policy Division an added edge. Its links with the commodity and technical divisions would need to be put on a firm footing.

4.23 The Office of the Directorate General of Anti Dumping is of comparatively recent origin and the organizational set up and procedures are yet to be fully evolved. With the removal of most of the quantitative restrictions w.e.f. 1.4.2001 it is only now that the capabilities of the organization and in fact the government itself, to respond quickly to the challenges will be fully tested. As the number of cases to be dealt with increases the technical capabilities of this organization for timely examination of the cases coming before it would have to be strengthened. After a clear idea on the demands on this organization and on the Directorate General of Safeguards under the Department of Revenue emerges, the question whether these functions could be combined along with the task of tariff revision and be entrusted to an independent statutory commissions could be examined.

4.24 As far as work relating to Commodity Boards is concerned, it would be necessary to retain in the Department, only aminimum complement of staff necessary for putting through the intended delegation of powers, amendments/repealing of the concerned Acts etc. All other positions, now sanctioned exclusively for dealing with Commodity Boards should be abolished forthwith.

4.25 There are 66 trade missions abroad under the Department of Commerce to attend to trade enquiries and also assist in setting trade disputes and in organizing exhibitions, fairs etc. An expenditure of nearly Rs. 60 crore was incurred on these missions last year. Out of the 171 officials deployed in these missions only 12 were officials of the Ministry of Commerce. In the review of the functions, activities and structures of the Ministry of External Affairs, it has been suggested that the need for offices abroad of all Ministries/Departments other than MEA should be examined afresh and wherever considered feasible the activities of these other Ministries should be undertaken by MEA`s offices abroad within the budget and staff allocated to them. In is only in those cases where full justification is advanced for other Ministries to have their own offices abroad should they be allowed to post their own officials in such offices. In such cases the expenditure on establishment of such offices would naturally be reflected in the budget of that Ministry/Department. The same procedure should be followed in respect of 60 odd trade missions abroad of the Department of Commerce. The trade missions abroad should be equipped to handle all enquiries from not only the organizations under the Department of commerce, but form private sector parties as well, thus obviating the need for establishment of separate offices by these other organizations.

4.26 While the functions and activities of the five public sector undertakings are not examined in this report, three issues of a general nature merit mention. First, in line with the decision already in place to privatize the State Trading Corporation and the Mines & Minerals Trading corporation, these is a case for privatizing the Project and Equipment Corporation also, while the Spices Trading Corporation could be made autonomous on the lines suggested for the Commodity Boards. The ECGC ownership and management would also need to be broad based bringing about government`s role considerably. Following these changes, the staff specifically sanctioned in the Department for overseeing these undertakings would need to be correspondingly downsized. Second as highlighted earlier the Federation of Indian Export Organisation has not been able to function as the apex body for various export promotion organisations. The feasibility of ITPO playing this apex role in a complimentary and supportive manner, rather than in a control mode, should be explored. Thirdly while some overlap, between ITPO and IIFT in undertaking research studies is unavoidable, and in fact may even be desirable, there needs to be a mechanism for coordinating the research activities of both these organisations.

4.27 Except in the case of DGFT where the administration of a large number of personnel is involved, the other functions of the department of Commerce are such as could be handled by an officer oriented system supported by the Desk Officer system. The officers/support staff requirements should therefore be redetermined division by division and the new arrangements put in position in a phased manner within the next one year. Likewise the implementation of the suggestions for giving full autonomy to the Commodity Boards and Autonomous Organisations should also lead to reduced staff requirement in the Department over the next two to three years. In any case, even the suggestions, which could be implemented straightaway, would call for one post of Joint Secretary, along with the support staff being declared surplus immediately. Moreover in 1992 it was mandated that, of the sanctioned staff strength in 1992, 10% should be reduced. It is seen that in the department proper, as against a total staff strength of 671 only 32 posts have been reduced, while of the 1560 posts in subordinate offices only 67 have been reduced so far. The department should take action for completing action on these economy instructions within the next three months.

Annex-IV

A study of the Functioning of the Commodity Boards

BY SHRI P.P. PRABHU

Executive Summary

1. Plantation Commodities constitute an important segment of India`s agricultural economy.Apart from meeting the domestic requirements, the plantation commodities, the marine products and the agricultural and processed food products contribute significantly to the country`s foreign exchange earnings.

2. The statutory commodity Boards formed to look after the development of the plantation commodities, and the Marine Products Export Development Authority and the Agricultural and Processed Food Products Export Development Authority have played a significant role in the growth and development of their respective sectors.

CHAPTER Ⅱ

3. Over a million growers are engaged in the cultivation of plantation commodities. In addition, the plantation sector alone provides direct employment to nearly tow million. The sector also earns substantial foreign exchange for the country (2.8-9).

4. The growth of production in the last three decades (100 % increase in the case of tea to six times increase in the case of natural rubber ) as will as the comparatively satisfactory achievement in productivity levels speak for the performance of the Boards (2.11-13)

5. The expenditure on the bureaucracy of the Boards has not been high.The resources requirements have also been mostly generated from the industry itself by way of cess.(2.14-15)

6. The Boards have been able to develop a sense of belonging and establish credibility with the growers.The Boards have thus demonstrated their accountability to the growers and so the grower community want the commodity Boards to continue (2.17-20)

7. Government of India have been allocating sufficient funds to the Boards, much more than the cess amounts collected from the

respective sectors. (2.21-22)

8. The suggestion to form a combined plantation Board as a measure of economy is neither practical nor a sound proposal. (2.23-25).

9. The membership of the Boards can be rationalised and the strength reduced. (2.26-27)

10. Though Tea, coffee and Natural Rubber Boards have to be basically grower oriented, it would be advantageous to have representation for all interests and stakeholders in the Boards. (2.29)

11. The present practice of election to represent large grower representatives in the Rubber Board can be modified.(2.30)

12. Effective representation has to be given to small growers in the Boards and hence 50% of the small grower nominees may be selected from among those growers owning less than 4 hectares.(2.31-32)

13. The Boards may form three Board Committees- research, executive and development committees; the Boards with prime mandate of export promotion, may also form an export promotion committee(2.33)

14. The financial powers of the Boards be enhanced rupees one crore, subject to some restrictions.(2.35-36)

15. The organization of the Boards, as have evolved over the years would need to undergo changes gradually but surely, if the plantation sector has to effectively meet the emerging challengers and demands. (2.37-39)

16. The responsibility for research in respect of all spices except for cardamom is with ICAR.Either the responsibility for major spices should be transferred to the Spices Board practical difficulties. A possible solution could be to place the operational control over the spices research stations with the Spices Board with the scientists/staff continuing to be part of ICAR and continuing to enjoy the privileges.(2.45-49)

17. Annual evaluation of the research programmes as well as periodical evaluation once in 7,8 years by a technical and scientific team to evaluate the performance of research work and programmes and recommend the future course and direction of research is desirable. (2.50-53)

18. The Boards may have to concentrate on research, as very little work is being carried out outside the Boards` research stations. The Boards may also explore the possibilities of entrusting some research work to universities. (2.54-57)

19. Development activity has to continue as an important function of the Boards. The loan and subsidy schemes may have played an important role in the development of the industry but may have to be phased out. Subsidy needs to be confined primarily to quality improvement programmes. (2.58-65)

20. The extension service has also been an important activity, but most of the services, from supply of planting materials to farm advisory services, soil testing to processing techniques are being increasingly provided by the private sector; hence the Boards may gradually withdraw from these activities. (2.66-68)

21. The Boards may take recourse to growers` participatory workshops for disseminating of advice and information. (2.69)

22. The logical further step and progress will be in the direction of harnessing the communication and computing technologies for providing better extension services. Establishment of internet kiosks in production centres and converting field offices into virtual extension offices will go a long way in making available the best of extension services to growers. (2.70)

23. There is no justification to continue the Board`s foreign offices. The need for the offices arises because of the dissatisfaction with the performance of our commercial missions that they have not been rendering the needed services to exporters and to the industry, as expected of them. UPASI has brought to notice a recent instance of indifference by our commercial missions (2.72-75)

24. One possible solution could be to place the commercial missions in important countries under the joint control of the Ministry of External Affairs and the Ministry of Commerce.The officers for manning the commercial posts in the missions may be jointly selected out of qualified professionals and held accountable. (2.77)

25. There is little justification to continue domestic promotion outlets, which can be progressively privatised. (2.78)

26. The Boards are not equipped to undertake and may desist from, market intervention operations. The minimum and maximum prices are difficult to implement. (2.79)

27. Processing, post harvest management and quality assurance are the areas deserving more attention from the Boards. (2.80)

28. All the control provisions in the various statutes regarding planting, movement, marketing, etc. need to be given up. Experience with the regulations regarding registration of growers has shown that it cannot be enforced. Periodical census may be a better option. (2.82-88)

29. Registration of exporters and export permit system may also be discontinued once the DGCI & S and customs complete the computerisation of their operations. (2.89-94)

30. Quality certification will become necessary in the future. The Boards may accredit private labs on the basis of transparent criteria

for this purpose.

31. Schemes for popularisation of cultivation and marketing of organic products may be evolved (2.96)

32. Most of the Boards have excess manpower. Rubber Board, which has the largest surplus, has been creating posts and recruiting additional staff during the last few years. VRS facility when announced by the Government can be extended to the surplus staff. (2.98-100)

33. Most of the Boards bring out useful publications but delay robs them of their utility. There is also scope for improvement in the contents (2.101-106)

34. The Boards have achieved little progress in computerisation and the objectives of achieving efficiency and reducing delay are yet to be achieved. (2.107-115)

35. The web sites of the Boards require to be vastly improved. The Boards have to pay attention to periodical updating also. (2.116-119)

36. There is great potential for the development of plantation commodities in the North Eastern States.The Boards have done commendable work in this regard and are implementing a number of schemes in North East. A well planned programme of development of plantations including the creation of processing and marketing facilities and an effective strategy of implementation will go a long way in making the programme a success. The development of plantations will ensure employment for thousands and steady incomes and help make some parts of North East as well developed as Coorg or Kottayam (2.120-153)

CHAPTER Ⅲ

1. TEA BOARD

37. The strength of membership of the Tea Board may be reduced to 25. (3.1.10)

38. The present system of industry-managed research, with grants from the Board, may continue. The Darjeeling research station may be strengthened for specialised application research relevant to Darjeeling tea.(3.15-23)

39. The orientation of the development activity maybe shifted towards the small grower. (3.1.24)

40. Teahouses may be progressively privatised. (3.1.25)

41. The overseas offices of the Board are an unnecessary luxury and the performance does not justify their continuation. (3.1.26-33)

42. Licensing of planting, registration requirements etc. may be discontinued. (3.1.35-41)

43. The provision in the Marketing control Order 1984, which gives authority to the Board to prescribe a minimum percentage of production to be compulsorily sold through auction, may be withdrawn. (3.1.43-53)

44. The auction rules and procedures require to be streamlined. (3.1.54-58)

The Tea Warehouse Licensing Order 1989 may not be enforced; the licenses issued to auctioneers may prescribe the specifications for warehouses attached to auction halls. (3.1.59-60)

There is no need for nay control over distribution or exports of tea. (3.1.61-62)

The scope of the Tea Waste Control Order 99 may be restricted only to tea waste moving out of factories for sale. (3.1.63-66)

The powers of management or control of tea undertakings or tea units may not be acted upon. ((3.1.67-69)

The Board is operating a number of schemes; some of them may be phased out; some of the schemes may be reformulated. (3.1.70-72)

Tea Board has excess staff; with the withdrawal of licensing work and some of the schemes being phased out, there will be surplus staff in licensing, marketing and development departments-a little over 150 in all. Three offices can be closed. (3.1.73-74)

To improve the quality of service, the Board must concentrate on research, productivity improvement, training of labour, improvement of co-op and Bought Leaf factories and training of small growers. The improvement of auction system, assistance for the setting up of quality labs for independent testing, implementation of a price and market information system, improving the content and quality of web pages are other areas for action. (3.1.75-80)

Ⅱ. COFFEE BOARD

The strength of the Coffee Board can be reduced to 24. (3.2.9)

The pool marketing system was the most important activity of the Board till it was disbanded. Now research will have to continue as

the most important activity. The extension service will continue to be important. (3.2.12-14)

The development schemes have been taking much of the attention and time of the extension personnel. (3.2-20)

Some of the tasks such as supply of planting materials etc., can be given up gradually; participatory workshops with farmers groups may be increasingly resorted to. (3.2.22)

Market development will be hereafter a knowledge based activity and the Board may have to outsource some of these tasks. (3.2.24-25)

The export permit system may be discontinued once the Board is able to obtain the required information from the customs. (3.2.26-27)

The domestic promotion outlets may be gradually privatized to cut down the losses. (3.2.28-29)

Processing and quality upgradation require greater attention. The logo scheme may be used to encourage quality. Private laboratories may be encouraged. (3.2.30-33)

The Board may evolve a scheme to document cup quality to enable aggregation of same cup quality coffees, which will facilitate the aggregation of minimum quantities for export. (3.2.34)

The Board is operating only one scheme in the area of production. Ie., water augmentation which is essential and may continue. In the area of market promotion some of the schemes may be phased out. (3.2.36-40)

The Board has around 200 excess non-technical staff in administration and extension departments; with the discontinuation of some development schemes, a third of the extension staff also will be surplus. 3.2.41-43

The research department has performed fairly will and has many achievements to its credit but far short of potential. The evaluation of research activity and programmes by an independent technical committee in 1996 has brought out the deficiencies and weak points. The Board has to devote much more attention to research; the strengthening of scientific staff, improvement of physical infrastructure, ensuring better motivation is some of the important areas requiring attention. Funds allocation may also be stepped up. 3.2.44-57)

The service most expected of the Board is in terms of high yielding varieties and improved pest control measures. Better extension service, improved and useful web page, more information cells are the other areas to which the Board needs to pay attention. (3.2.61-69)

III. RUBBER BOARD

Rubber production has grown spectacularly in the last tow decades as also productivity. Government have extended full protection to the industry and ensured that domestic prices renamed at higher levels than international prices.(3.3.5-8)

The constitution of the Board may be recast. The election procedure for selection of large growers may be given up. (3.3.12)

Among the activities research and production need to be given the highest importance. (3.3.15-16)

The production department has established a vast and many tier field set up. Increasing recourse to participatory approach especially with the help of Rubber Producers Societies will help to render better service to growers. (3.3.17-19)

The department also undertakes many subsidiary activities. While perhaps the activity of bio gas plants may continue, the rest of the activities may be handed over to specialize organizations meant for them. Nurseries also need to be run on cost recovery basis.(3.3.20-24)

The registration of large estates and collecting production date only from them serves no purpose-can be discontinued. (3.3.27)

Licenses are prescribed for the dealers, processors and manufacturers and monthly and annual returns-over 2 lakhs in all- are processed every year only to enable the assessment of consumption of rubber and levy the cess. This is avoidable work involves cost to all. The whole system can be given up and the cess amount collected along with central excise. If this is not acceptable, then registration may continue only for the manufacturers and half yearly returns only may be prescribed. (3.3.28-33)

As part of the processing and product development activity, a number of commercial activities have been started; substantial capital expenditure has been incurred. Most of them could have been encouraged in the private sector. Most of the units may be gradually privatized. (3.3.35-40)

The work of the training and consultancy division is important but the consultancy division should progressively become self-supporting. (3.3.42-43)

The Board operates many schemes, some of them have been continuing for decades. Some of the schemes need to be phased out, excepting quality improvement schemes, tappers training etc. (3.3.44-51)

The Rubber Board has huge surplus staff; there have beenavoidable recruitment. The establishment expenditure has gone upto over Rs. 25 crore annually; substantial reduction is called for. (3.3.54-56)

The performance of the research institute has been very satisfactory. The productivity improvement has been commendable. Most of the research schemes may continue. The major area of concern is the high dependence on a single variety. (3.3.57-62)

Some of the regional stations can be converted into demonstration farms. (3.3.65)

The Board has instituted an effective system of annual evaluation of its performance. The board may subject its research programmes to an independent scrutiny once in 7,8 years to assess the progress of research efforts and set the direction for future research. (3.3.66-69)

The Rubber Board may encourage private service providers and increasingly adopt participating approach in extension. The Board has to become a facilitator and become a knowledge centre. (3.3.70-75)

IV. SPICES BOARD

The export of spices has shown excellent progress but with pepper prices coming down, there will be a set back. Notwithstanding our 40% share in world exports, there is considerable need to step up production to meet the growing domestic needs and to maintain our share in the world market. (3.4.3-4)

The strength of the Board can be reduced to 20. (3.4.10)

The contentious issue of status of cardamom research and development activity has to be settled once for all. The cardamom growers are opposed to the transfer to ICAR, though it is a more logical option; hence the only option feasible appears to be to continue the status quo and strengthen the research activity. (3.4.15-21)

The number of offices for the development activities can be reduced. (3.4.23)

Post harvest development activity demands more attention and resources. Quality improvement including training and encouragement for the establishment of private laboratories needs to be followed up. (3.4.24-27)

Cardamom marketing is well organized; though there is no compulsion to sell through auctions, nearly 2/3rds of produce is bought to auction. (3.4.29)

Export promotion is the major function of the Board but the Board may withdraw from some market activities. The system of registration of exporters may also be withdrawn once the customs and DGFT streamline their procedures. (3.4.31-33)

Some of the schemes of the Board may continue, but individual exporter oriented export promotion schemes maybe phased out; anyway the incidence of subsidy is too insignificant to make any impact.(3.4.34-38)

There is scope for some reduction in the strength of non-technical manpower. (3.4.39-40)

The performance of research station is not upto expectations though some promising clones are under trials. Lack of irrigation and inadequate attention to farm practices by small growers are the major reasons for low average productivity levels. (3.4.42-45)

90. The Board has to concentrate on research work closely with ICAR/state governments in the matter of widespread adoption of post harvest practices and control of pesticide usage, and ensure that exports meet international standards. Quality certification has to be popularized as also a virtual spices bazaar. (3.4.49-57)

V. MARINE PRODUCTS EXPORT DEVELOPMENT AUTHORITY

91. The strength of the Board can be rationalized to 20. (3.5.10)

92. Among the Major activities, the promotion of capture fisheries has to continue as also the promotion of aquaculture, though the Ministry of Agriculture and the state governments should have taken over the responsibility for aquaculture development. The modernization of processing is another key activity, which has to continue to receive attention. (3.5.13)

93. MPEDA maintains two foreign trade promotion offices and their continuation is being justified on the ground that they render high quality service to the industry and not onluy merely to individual exporters. The industry also feels that our commercial missions will not be able to render the required services. (3.5.14-16)

94. The registration and licensing activities can be streamlined and in course of time, accredited private agencies may be encouraged to perform inspection functions.(3.5.18-19)

95. Most of the schemes of MPEDA may continue though some may have to be transferred to the Ministry of Agriculture/state agriculture departments. (3.5.21-42)

97. To improve the quality of service, the trade information service has to be improved: assistance needs to be given to shrimp farmers in the control of viral attack: dissemination of developments including rules and regulations regarding aquaculture farming has to be organized. (3.5.43-46)

VI. AGRICULTURAL AND PROCESSED FOOD PRODUCTS EXPORT DEVELOPMENT AUTHORITY.

98. The strength of the Board can be reduced to 23. (3.6-70

99. The mandate of APEDA is wide and apparently overlaps that of MFPI and the Department of Agriculture but in practice APEDA has been confining its activities to only those aspects relevant for exports (3.6.10-11)

100. The major activities of APEDA- post harvest management infrastructural upgradation, quality improvement and market intelligence have to continue. (3.6-12)

101. Most of the schemes of APEDA are relevant for exports. Some of the schemes may though desirable may be phased out, as they are not related to exports. A programme to build capacity for risk analysis may be necessary. (3.6.13-34)

102. The airfreight scheme needs to be critically reviewed and discontinued in respect of those products with limited potential. (3.6.36-38)

103 APEDA may establish standards for all scheduled products and work towards harmonization of standards with international standards. (3.6.39-40)

104. APEDA may encourage quality and testing labs in the private sector. (3.6.41)

105. Special schemes to encourage the cultivation of organic products and fresh fruits and vegetables may be w3orthwhile. (3.6.42-44)

106 APEDA has so surplus staff. It may be permitted to engage experts and consultants for specialized work and to carry out projects rather than recruiting personnel on a permanent basis. (3.6.45-46)

107. APEDA`s major responsibility will have to be in the areas of dissemination of appropriate post harvest management techniques, quality standards etc. The virtual trade fair of APEDA has to be made a success. The web site needs to made more comprehensive. (c.6.47-54)

CHAPTERIV

108. A change in the mandate and functions of the Boards may be necessary in the light of the liberalization policy initiative of the Government and the developments in the commodity sector and in the economy. The Boards have to move away from controls to complete deregulation: the emphasis has to shift from mere development and production, to competitiveness. The incentive based approach should give way to capacity building, information and education. The Boards would need to withdraw from many activities and rather than being providers of services become facilitators. Most important, the Boards should cease to be mere bureaucratic organistaions and become knowledge centers.

PART II

109. Plantation commodities are important for many developing countries either because of their contribution to GDP or trade or employment. But the commodity producing countries have suffered adverse terms of trade for two decades now.

110. Prices of commodities especially of coffee etc have bneen subject to violent fluctuations. In the past stabilization of prices was achieved through International Commodity Agreements. The International Coffee Agreement restricted supplies through quotas and the International Natural Rubber Agreement regulated the availability through Buffer Stock Operations. However, the possibility of such arrangements hereafter is remote.

111. Commodity Boards if statutorily authorized, could regulate production and supplies and though a combination of deficiency payments and retention of a portion of the prices when the market prices are satisfactory can attempt to stabilize prices and incomes. But with the global integration of the economies the scope for such intervention is limited.

112. Price volatility is a serious problem afflicting the growers in the developing countries only as the farmers in the developed world are fully protected with subsidies and direct income payments.

113. There have been few worthwhile international attempts to help the developing countries to cope with the problems of price volatility. The World Bank had convened an International Task Force on Commodity Risk Management in the Developing Countries. The ITF`s recommendation is for the creation of an International Intermediation, which will bridge the gap between the providers of the risk management instruments and the entities in the developing countries.

114. The proposal is for a price insurance scheme under which a guaranteed price based on the quotations of futures exchanges can be ensured against payment of premium. While such an arrangement will no doubt eliminate the uncertainty, the proposal would still fall short of growers` expectations.

115. Growers can be protected from the risks of price volatility either though regulation of production or supplies. Both are not practical. Export tax coupled with deficiency payment is one possible method of stabilization of prices and indirectly of incomes of growers: but it is an imperfect system and may be possible only in the case of a predominantly export commodity like coffee. Straight subsidy payment to compensate the growers when prices fall to a low level may be one option but can be resorted to only in exceptional cases in view of the financial implications.

116. A price insurance scheme, which will guarantee deficiency payments to growers if there were to be a fall in prices below a threshold level, may be acceptable to the growers. The price threshold has to be attractive and the scheme has to be simple. Such a scheme may be feasible for commodities subject to large-scale fluctuations in prices like coffee, cardamom even cotton or chilli.

117. There will be some practical difficulties and some details may have to be worked out but for some commodities a self-sustaining insurance scheme can be envisaged.

118. A Price Stabilisation Fund for commodities may be created to help the growers. But it has to be commodity specific as otherwise there may be resistance from the growers. The Fund can be built up through transfer of a portion of cess amount and any export tax proceeds and such other amounts generated from the industry.

119. Direct payments to growers from the Fund when the prices fall below a minimum level or collection of a cess amount from the growers when the prices go above a threshold level to augment the Fund may not be a practical proposition. But the Fund may be useful when in exceptional cases direct payment may have to be paid. Such a Fund may be helpful in many ways for making part payment of premium for the proposed price insurance scheme.

120. The Scheme may be workable only for some commodities. The suggestion can be tried out for one or two commodities and on the basis of experience refined and expanded to benefit the growers of many commodities.